



MONTGOMERY WARD

1962 ANNUAL REPORT



Today's customers place a high premium on time. They prefer to patronize stores where it is possible to shop and buy easily and rapidly. For their convenience, "take-with" merchandise must be openly displayed, attractively packaged, descriptively labelled and clearly identified as to brand, quality and price. To make shopping easier for its customers, Montgomery Ward in 1963 is introducing a completely new packaging program which provides quick visual identification of all important product characteristics. Most merchandise is being presented under our own brand names in 17 simplified product groupings; all packages, labels and feature tags clearly present easy-to-read descriptive information about each product; price lines are differentiated by Red, Blue and Gold package banner symbols representing quality standards of Good, Better and Best.

In the above picture, an assortment of various sizes and shapes of new packages is studied by Martin C. Munger, retail merchandise manager, Charles W. Wood, vice president and general merchandise manager, and Charles F. Higgins, catalog merchandise manager.

To Our Stockholders:

Both sales and earnings in 1962 showed improvement over the prior year. Financial results for the 52-week period ending January 30, 1963, compared with the previous year, were:

	1963	1962
Net sales.....	\$1,425,187,840	\$1,325,941,281
Net earnings after taxes.....	20,415,681	\$15,859,096
Earnings per common share.....	\$1.51	\$1.13
Dividends per common share.....	\$1.00	\$1.00

More important than these modest gains were the steps taken during the year to strengthen the management staff, and to improve the organization of our operations. The combination of these factors has made it possible to accelerate our expansion and facilities modernization program with greater assurance that current earnings will sustain the program.

The management has been strengthened both by the development and promotion of qualified men from within the organization and by attracting experienced men of demonstrated ability from outside.

The operating functions of both the retail and catalog divisions of the business were further decentralized during the year.

The retail and catalog merchandise staffs have been reorganized to coordinate more effectively the centralized buying and merchandising functions of the home office with the decentralized operating and selling functions of the field organization.

Credit sales are becoming increasingly important as we expand our facilities and place increased emphasis on the sale of durable goods. To develop this phase of the business profitably, one officer is now devoting his entire attention to our credit operations.

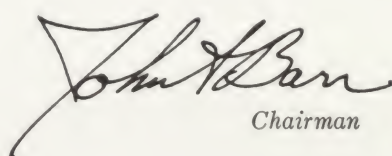
The use of direct incentive compensation plans has been extended and, during 1963, we plan to improve the Company's group insurance and retirement plans for employees. We also intend to adopt a new contributory employee savings plan in which the Company's contributions will be based upon its profits. These moves are expected to further secure and stimulate the performance of our organization.

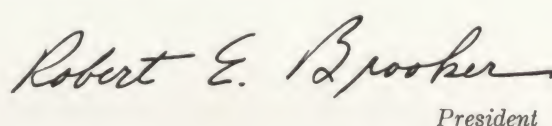
The Company sold all of its installment accounts to Montgomery Ward Credit Corporation, a wholly owned subsidiary, at the end of the 1962 fiscal year. This sale was made so that the Company would be able to adopt the installment method of accounting for income tax purposes in 1963 and future years. Under the installment method of accounting, the profits on installment sales, for tax purposes, are deferred until collections are made. This will reduce the Company's need for short-term financing.

On the following pages, we discuss the significant changes which have occurred and which are emerging in the retail industry. We also review the merchandising, catalog and retail programs which are being developed to assure the continued progress of our Company. All of these plans emphasize the fundamentals of mass merchandising and represent an overall course of action designed to capitalize upon the Company's historic strengths.

We believe continued concentration on the fundamentals of selling general merchandise through catalogs and retail stores will produce a steady growth in sales and earnings.

Respectfully submitted,


Chairman


President

April 2, 1963





Our Changing Ways . . .

The retail industry is in the midst of a period of change.

Competition is intensifying as retail selling space is being expanded at a rapid rate through the development of new stores—chain stores, branch department stores and “discount stores.” The average size of stores is being increased, and more stores are being located in suburban areas. Many stores which traditionally have offered only limited lines of merchandise are adding additional lines, and more stores are offering new methods of self-service and self-selection of merchandise.

New Ways of Living

The American people are altering their ways of living at a very rapid pace. The population growth rate is the greatest in 50 years. Family incomes are the highest in history and are still rising. More people are getting higher educations and are developing tastes for merchandise of higher quality and fashion, and for better services. More folk travel and people change their residences more frequently than ever before. Fewer people live on farms, and more urban dwellers live in the suburbs. An increasing percentage of customers are buying on credit, a higher percentage are in the under 20 and over 65 age groups, and, in general, people have more free time for recreation and leisure.

Ample parking and accessibility are of primary importance as customers make the all-important decision of where it will be easiest and most convenient to shop. This store, opened in 1962, is in the McCreless shopping center of San Antonio, Texas.





... Growth and Expansion

These are the sociological and economic trends that must be analyzed and projected as we transform Montgomery Ward into a more dynamic force in the retailing life of the nation.

As competition has increased, Wards' management has placed new emphasis upon the quality, fashion, design and value of its merchandise and upon providing improved services and added conveniences for its customers to earn their patronage as year-in, year-out friends.

The Company's buyers are concentrating more of their purchases with fewer suppliers to permit more efficient production, more consistent quality, and lower distribution costs. More of the merchandise is being manufactured to Wards' specifications and marketed under Wards' private brand names to bring greater values to our customers.

Improvement of Facilities

For the convenience of customers and to save their time, more stores are being located nearer to where customers live. At the same time, we constantly strive to improve the parking and traffic flow in downtown areas of the many medium size cities where we also have stores.

The physical layout of stores is being improved and new display fixtures are being used to make shopping easier.

The catalog business, supplemented by telephone solicitations, installation service, and home calls by outside salesmen, also is exhibiting a new vitality in both sales and profits.

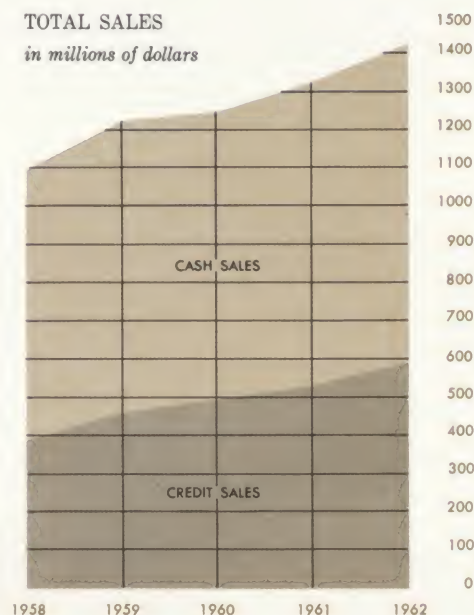
Improvement of Credit Services

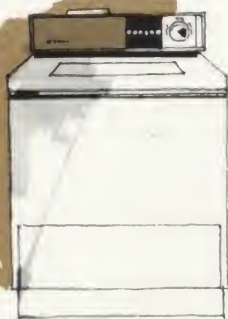
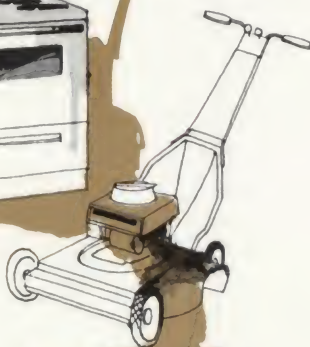
In July of 1962, Montgomery Ward inaugurated a new credit service to simplify charge account procedures for retail and catalog customers in the area served by its Fort Worth Mail Order House. Plans now are under way to offer this improved service in other areas of the country.

Wards' credit sales during 1962 increased to 42 per cent of total sales. As credit services are further improved and expanded, we expect at least 50 per cent of our sales to be transacted on credit.

In its role as one of the most reliable of all national retailers, Montgomery Ward, through its 512 retail and 691 catalog stores, is continuing the steady growth that has carried it from the revolutionary idea of one man 91 years ago to our new sales record of \$1,425,187,840 in 1962.

TOTAL SALES
in millions of dollars





Each new product is engineered and designed by experts to assure quality, appeal and performance.



Electronic testing of air conditioners.



Compression testing of mattresses.

Mass Merchandising . . .

The principles of mass merchandising through retail stores, catalog stores and by mail order require continual adjustments of techniques and methods to keep pace with the rapidly growing and increasingly mobile population of our country. In recent years, much public attention has been focussed upon the physical modernization program of Montgomery Ward as large new stores were being established and old stores were being relocated and rehabilitated.

Equally important are the programs designed to provide greater economies through more effective use of our large volume purchasing power. To achieve manufacturing economies and better quality, and to assure availability of merchandise when needed, more of our purchases are being concentrated with fewer suppliers under contractual arrangements which permit a better balanced production throughout the year.

Improved Product Quality

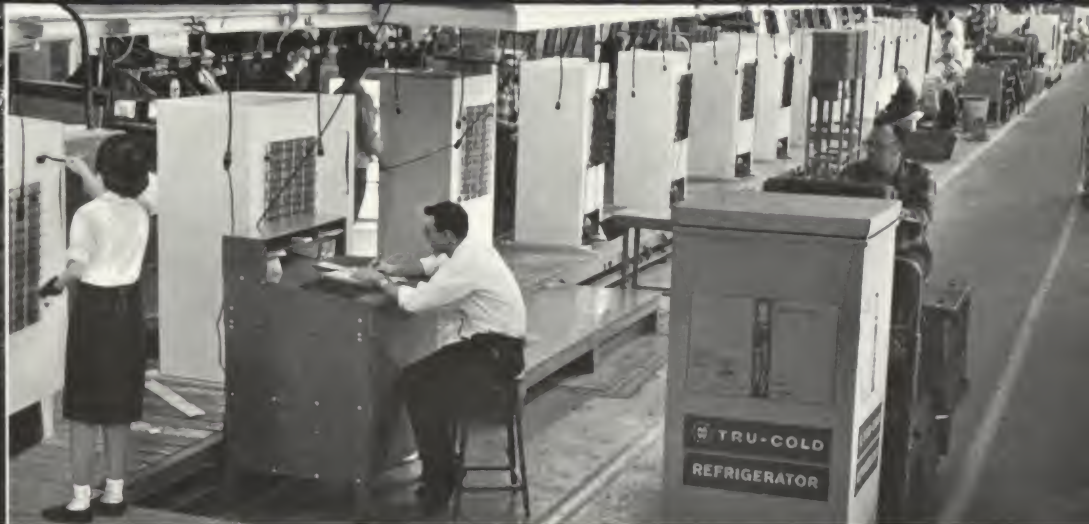
Our merchandise development department is committed to the improvement of products and services, step-by-step, from the initial specifications through the design, development, manufacturing and testing of products. Our buyers determine the types and characteristics of the products to be developed so detailed descriptions can be written into engineering and production specifications. Our manufacturing and engineering staffs help develop methods to manufacture these products more economically. Our quality control technicians, operating with expanded and modernized laboratories, insist upon the high standards of product quality that will merit the Montgomery Ward seal of approval.

Lower Distribution Costs

Another major area of cost reduction is in the distribution of the millions of articles of merchandise which we handle each year. Our buyers are consolidating purchases of many merchandise lines with manufacturers which are located close to Wards' major retail and distribution centers or which have strategically located warehouse and distribution centers of their own. By speeding up shipments of merchandise from factories to customers with a minimum of rehandling, we are reducing the requirements for large inventories of many product lines, thereby increasing turnover and economizing on transportation.



Safety inspection of every tire.



Production lines operate under rigid quality control standards.

... *Economies*

The Company's program to place greater promotional emphasis upon Wards' own brands of merchandise has progressed rapidly and, by the end of 1963, merchandise which accounts for 80 per cent of our total volume will carry a specific Montgomery Ward brand name.

As an integral part of this program of developing distinctive merchandise for our stores and catalogs, we have redesigned hundreds of products to make them more fashionable and more appealing to our customers. Our visual packaging and informative labeling programs make self-selection of merchandise easier for customers by visually distinguishing our Good, Better and Best merchandise lines.

Better Merchandise Displays

The physical presentation of our merchandise in a more attractive manner in our new and rehabilitated stores is being made possible through the development and standardization of modular display equipment that is adaptable for all types of stores. Standards of departmental merchandise arrangement and display guides have been prepared to help our stores improve their presentations of merchandise.

The Company is concentrating on greater depth of its merchandise lines while eliminating many slow-moving products. This reduction of assortments permits more intensive promotion of basic merchandise and feature items.

Complete Family Center

Our technique of advertising has been changed to present our merchandise more dramatically and more forcefully and to promote Montgomery Ward as a complete family shopping center. We also have incorporated more flexibility into our advertising programs so our stores can adapt their promotions to local competitive conditions.

In most instances, the actual sale of the merchandise in a retail store is handled by an individual who must be trained to know the merchandise thoroughly and to know which items are best fitted to the differing needs and wants of our customers. A product training department, established in the merchandising division during the year, is diligently developing visual, audio and written guides and instructions to help our sales personnel be of more help and service to our customers.



Efficient warehousing and daily truck service to stores assure customers of quick deliveries of merchandise.



The most important advertising project of Montgomery Ward is the publication and distribution annually of 45 million catalogs which offer 130,000 items of merchandise.



Catalog Sales . . .

If one may judge future merchandising trends by the results of the last year, it is safe to predict that customers will do more of their shopping from catalogs and by telephone in 1963 than ever before. In 1962, Montgomery Ward's catalog sales were \$448 million. This was the highest volume of catalog sales in the history of the Company.

Programming for Growth

Wards has the combination of experience, knowledge, and facilities that permits it to assert leadership in the resurgence of this type of selling. We believe that with additional catalog stores, expansion and installation of new metropolitan telephone order units, greater use of outside salesmen, enlargement and modernization of catalog selling facilities, improvements in the techniques of presenting and promoting the sale of merchandise through catalog pages, and other programs now under way, catalog merchandise sales will continue to show increases.

Faster Delivery Service

Service to catalog customers has been improved by the use of a fleet of privately operated trucks and, in some instances, aircraft, to expedite merchandise shipments to customers in all parts of the country.

New catalog stores are being established—21 last year and 465 since 1955—and many of the older catalog stores are being rehabilitated to the specifications of a standardized prototype store developed last year. Many pilot operations were conducted to test the effectiveness of various store layouts and displays before the final catalog store prototype was determined and its layout and equipment standardized.



Guarantee

We guarantee the quality of every article as described, and guarantee that it will give you the service you have a right to expect. If, for any reason, you are not completely satisfied with any article purchased from Wards you may return it at our expense. We will exchange it for what you want, or refund what you paid, including any transportation charges paid by you.

MONTGOMERY WARD

New auto service facilities are being added to many catalog stores.





At Home

By Phone

... Setting Records

Metropolitan telephone order services are being made available to customers in additional cities. More and more people are discovering the convenience of shopping from the catalog by telephone and in the comfort of their own homes. This service now is available in New York and Cleveland as well as in the nine mail order house cities of Baltimore, Chicago, Denver, Fort Worth, Kansas City, St. Paul; Albany, New York; Oakland, California; and Portland, Oregon.

More Trained Salesmen

The number of catalog salesmen trained for in-the-home selling of major appliances and home improvement installations was doubled during 1962 and is planned to be doubled again during 1963.

Catalog desk selling facilities are being improved in retail stores and catalog merchandise is being more strongly promoted in all stores.

The use of data processing, particularly for stock control and inventory management, is being extended. A pilot installation in the mail order house at Kansas City promises to speed up service and reduce costs.

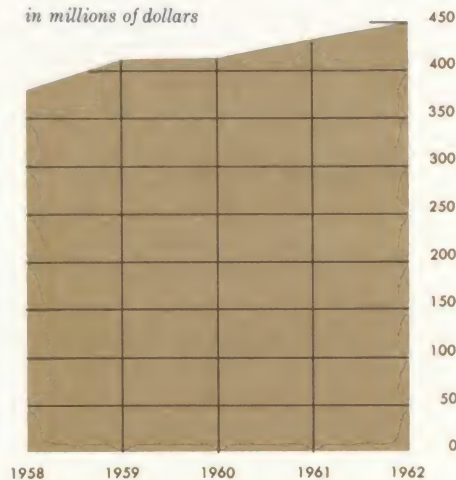
More Volume Potential

Wards' success in introducing and selling high-quality women's fashions through its catalogs has proved that this type of merchandising offers many new opportunities to serve customer needs and has a potential for developing substantially more volume. The fashions departments of the catalog have been the most rapidly growing departments in the book. And catalog sales of fashions in the Spring of 1963 again are establishing new records.



Hundreds of telephone salesgirls in 49 states keep customers informed about "best buys" and "specials"—an increasingly popular service for many customers.

CATALOG SALES
in millions of dollars



Catalog order facilities in all retail stores are being improved to offer customers better service and faster deliveries.





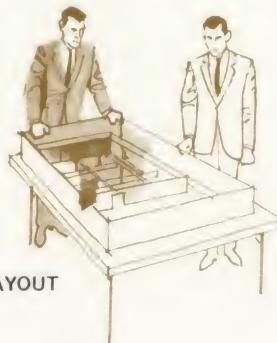
This store with 90,000 square feet of selling space, opened in Pleasant Hill, California, last year, is the third new store in the San Francisco Bay area. It is a prototype of future stores to be built in this size category.



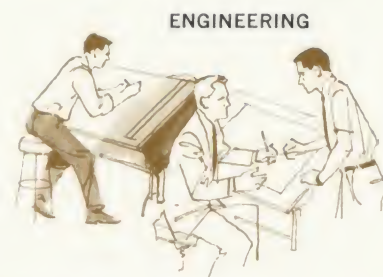
PERSONNEL TRAINING



MARKETING RESEARCH



STORE LAYOUT



ENGINEERING

Retail Expansion . . .

Montgomery Ward's long-range expansion and modernization program is being accelerated in 1963 with 28 retail stores scheduled for opening during the year as compared with 21 in 1960, 21 in 1961 and 10 in 1962. Twenty of these will be relocations of old stores into new, larger buildings with standardized modern interiors and display fixtures. Seven will be new stores in expanding metropolitan markets where Wards presently has one or more retail stores. One store, in Melbourne, Florida, near Cape Canaveral, will be in a market new to Wards.

Shopping Center Locations

In the past six years, Wards has opened 72 new stores in 24 states—24 of them relocations, 20 of them in markets new to Wards, and 28 as additional stores in markets where Wards already was operating one or more stores. All but three of these stores were established in shopping center areas with adequate parking and easy access.

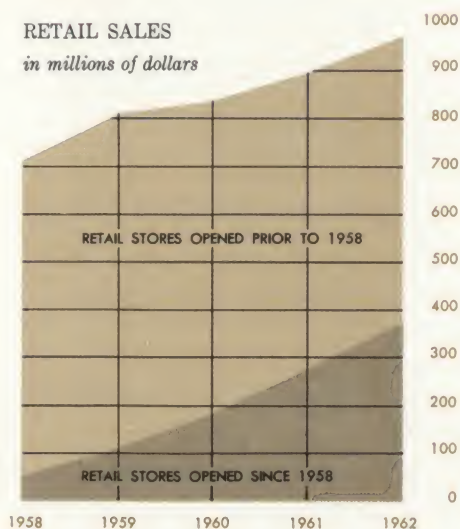
Our long range plans provide for the relocation, over the next five years, of about 100 of the older retail stores into new buildings which will be larger and better located. Approximately eight new stores also are scheduled to be opened each year in the suburban areas of major metropolitan markets where we want to expand our present operations.

More Sales from Big Stores

Prototype stores of eight sizes, ranging from 25,000 to 135,000 square feet of sales area have been developed for market areas of different sizes. Substantial economies will be realized from standardization of layouts, flooring, lighting, fixtures, displays and other equipment and facilities.

In areas where Wards has a substantial share of the market, and where the present store is large enough and is in a satisfactory location with adequate parking and access, efforts will be made to maintain and improve the Company's competitive position by modernizing and re-

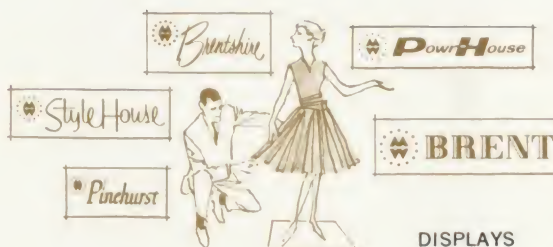
RETAIL SALES
in millions of dollars





Typical of the 20 stores being relocated this year is this new 45,000 square foot store that replaced Wards 32-year-old 20,000 square foot store in downtown Herkimer, New York.

CONSTRUCTION



DISPLAYS

... Accelerating

habilitating the store. During the next few years, we will modernize and rehabilitate approximately 300 such stores. The largest stores attached to our Fort Worth and St. Paul mail order houses are being extensively rehabilitated this year.

Our modernization and expansion program will increase the percentage of our total retail sales made through larger stores while at the same time strengthening the smaller stores which have long been the backbone of the Company's retail profits.

Emphasis on Service

The great demand of customers for more services is being met by Wards in many ways. In addition to credit, services being offered include home decorating consultation, heating and plumbing engineering and estimates, installations of kitchens, laundries and bathrooms, automobile service, travel and vacation planning and landscape gardening.

The Company's repair service force now totals 1,800 men. Of these, 900 are assigned to trucks which make more than 5,000 home calls daily. An extensive training program is conducted through six training schools to keep all service repairmen up-to-date on the intricacies of new electronic and mechanical developments.

Montgomery Ward is committed to serve customers faithfully and for a lifetime, and regards its satisfied customers as the greatest asset in its future.



ADVERTISING



ACCOUNTING

Modern, full-line service stations that accommodate 6 to 30 automobiles are being established adjacent to most new stores.



Consolidated Statements of Earnings and Earnings Reinvested

for the 52-week periods ended January 30, 1963 and January 31, 1962

Earnings

	1963	1962
NET SALES	\$1,425,187,840	\$1,325,941,281
COSTS AND EXPENSES:		
Cost of merchandise sold, including net buying, operating, selling and administrative expenses other than itemized herein	\$1,319,804,654	\$1,236,919,908
Rents	23,755,962	19,999,445
Maintenance and repairs	5,476,059	5,466,798
Depreciation and amortization	11,147,015	9,852,659
Contribution to employees' retirement plan	3,905,099	3,635,647
Property, social security and state taxes	27,280,145	23,437,912
Provision for Federal taxes on income	16,990,000	13,660,000
Total costs and expenses	\$1,408,358,934	\$1,312,972,369
NET EARNINGS FROM OPERATIONS	\$ 16,828,906	\$ 12,968,912
NET EARNINGS OF SUBSIDIARIES NOT CONSOLIDATED (Note 1)	3,586,775	2,890,184
NET EARNINGS	\$ 20,415,681	\$ 15,859,096

Earnings Reinvested

BALANCE AT BEGINNING OF YEAR	\$ 417,346,962	\$ 415,670,115
NET EARNINGS	20,415,681	15,859,096
Total	\$ 437,762,643	\$ 431,529,211
CASH DIVIDENDS:		
Class A stock—\$7.00 per share	\$ 1,410,878	\$ 1,410,878
Common stock—\$1.00 per share	12,585,752	12,771,371
Total	\$ 13,996,630	\$ 14,182,249
BALANCE AT END OF YEAR	\$ 423,766,013	\$ 417,346,962

Explanatory notes to these financial statements appear on pages 14-15.

Consolidated Balance Sheet

as of January 30, 1963 and January 31, 1962

Assets

CURRENT ASSETS:

Cash	\$ 24,429,768	\$ 27,742,867
Time deposits maturing in less than six months.	42,007,333	—
Marketable securities, at cost	132,347,222	8,178,232
Receivables (including in 1963, \$45,957,550 equity in \$459,575,494 of deferred payment accounts and in 1962, \$26,708,251 equity in \$267,082,503, sold without recourse to Montgomery Ward Credit Corporation), less reserves for doubtful accounts and unearned carrying charge income of \$14,875,841 in 1963 and \$18,128,312 in 1962	63,996,717	206,119,246
Merchandise inventories, at the lower of cost or market.	285,720,832	296,174,404
Prepaid catalog costs, supplies, etc.	28,715,949	25,716,899
Total current assets	<u>\$577,217,821</u>	<u>\$563,931,648</u>

NET EQUITY IN SUBSIDIARIES NOT CONSOLIDATED (See Note 1 and accompanying balance sheets)

\$ 60,742,878	\$ 56,434,803
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PROPERTIES AND EQUIPMENT, at cost:

1963

1962

Land		\$ 14,997,082	\$ 12,281,218
Buildings	\$ 81,004,292	\$ 81,043,747	
Fixtures and equipment.	96,052,682	87,613,836	
Total buildings, fixtures and equipment	\$177,056,974	\$168,657,583	
Less—Reserves for depreciation	73,541,913	68,486,591	
Leasehold improvements, after amortization.		103,515,061	100,170,992
Total properties and equipment		<u>10,318,525</u>	<u>9,409,025</u>
		<u>\$128,830,668</u>	<u>\$121,861,235</u>
		<u>\$766,791,367</u>	<u>\$742,227,686</u>

Liabilities

CURRENT LIABILITIES:

Accounts payable and other liabilities.	\$ 67,273,617	\$ 62,748,917
Accrued expenses	41,701,879	32,297,716
Federal taxes on income	9,399,261	7,778,717
Total current liabilities	<u>\$118,374,757</u>	<u>\$102,825,350</u>

DEFERRED FEDERAL TAXES ON INCOME

\$ 7,737,000	\$ 3,964,000
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CAPITAL STOCK AND EARNINGS REINVESTED:

Class A stock, no par value—		
Authorized 205,000 shares noncallable, \$7.00 per share cumulative dividends; issued 201,554 shares, stated at liquidating value.	\$ 20,155,400	\$ 20,155,400
Common stock, no par value—		
Authorized 20,000,000 shares; issued	1963	1962
13,004,756 shares, at stated value	\$211,231,385	\$211,231,385
Earnings reinvested in the business.	423,766,013	417,346,962
Total of common stock and earnings reinvested in the business.	\$634,997,398	\$628,578,347
Less—Treasury common stock, 438,985 shares in 1963 and 396,360 shares in 1962, at cost.	14,473,188	13,295,411
Total capital stock and earnings reinvested	<u>620,524,210</u>	<u>615,282,936</u>
	<u>\$640,679,610</u>	<u>\$635,438,336</u>
	<u>\$766,791,367</u>	<u>\$742,227,686</u>

of Subsidiaries

M-W PROPERTIES CORPORATION

Assets

as of January 30, 1963 and January 31, 1962

CURRENT ASSETS:

Cash	
Marketable securities, at cost	
Receivable from Montgomery Ward & Co., Incorporated	
Prepaid interest and taxes	
Total current assets	

PROPERTIES (Leased to Montgomery Ward & Co., Incorporated) at cost:

Land	
Buildings, less reserves for depreciation of \$2,983,800 in 1963 and \$2,512,180 in 1962	
Total properties	

FINANCING EXPENSE, after amortization

Liabilities

CURRENT LIABILITIES:

Principal payments of 5¼% secured notes due within one year	
Accrued expense	
Total current liabilities	

DEFERRED FEDERAL TAXES ON INCOME

5¼% SECURED NOTES, due serially to February 1, 1991, less principal payments due within one year

INVESTMENT OF MONTGOMERY WARD & CO., INCORPORATED:

Common stock, \$100 par value—		
Authorized 25,000 shares; issued and outstanding 12,541 shares		
Earnings reinvested in the business:	1963	1962
Balance at beginning of year	\$ 21,998	\$ 4,029
Net earnings	170,023	17,969
Total investment of Montgomery Ward & Co., Incorporated		

1963	1962
\$ 39,935	\$ 275,586
1,050,095	501,528
237,939	—
9,231	—
\$ 1,337,200	\$ 777,114
\$ 2,329,441	\$ 2,337,537
16,451,762	16,927,264
\$18,781,203	\$19,264,801
\$ 73,918	\$ 86,411
\$20,192,321	\$20,128,326

MONTGOMERY WARD REALTY CORPORATION

Assets

as of January 30, 1963 and January 31, 1962

CURRENT ASSETS:

Cash	
Prepaid taxes	
Total current assets	

PROPERTIES (Leased to Montgomery Ward & Co., Incorporated) at cost:

Land	
Buildings, less depreciation reserves of \$1,915,528 in 1963 and \$46,275 in 1962	
Leasehold improvements, after amortization	
Total properties	

Liabilities

CURRENT LIABILITIES:

Notes and accounts payable to Montgomery Ward & Co., Incorporated	
Accrued expense	
Federal taxes on income	
Total current liabilities	

DEFERRED FEDERAL TAXES ON INCOME

INVESTMENT OF MONTGOMERY WARD & CO., INCORPORATED:

Common stock, \$100 par value—		
Authorized 25,000 shares; issued and outstanding 9,713 shares in 1963 and 2,500 shares in 1962		
Earnings reinvested in the business:	1963	1962
Balance at beginning of year (deficit)	\$ 2,153	\$(4,412)
Net earnings	215,032	6,565
Total investment of Montgomery Ward & Co., Incorporated		

1963	1962
\$ 10,601	\$ 46,842
—	66,500
\$ 10,601	\$ 113,342
\$ 2,270,955	\$ 3,020,962
6,971,869	5,539,266
2,899,311	2,917,339
\$12,142,135	\$11,477,567
\$12,152,736	\$11,590,909
\$10,780,251	\$11,335,551
—	2,205
24,000	—
\$10,804,251	\$11,337,756
\$ 160,000	\$ 1,000
\$ 971,300	\$ 250,000
217,185	2,153
\$1,188,485	\$ 252,153
\$12,152,736	\$11,590,909

Notes to Financial Statements

1. The consolidated statements include all subsidiaries except Montgomery Ward Credit Corporation, M-W Properties Corporation, and Montgomery Ward Realty Corporation, wholly owned subsidiaries for which separate balance sheets are presented in this report. The net equity of subsidiaries not consolidated is stated in the consolidated balance sheet at the amount of the Company's investments in the capital of such subsidiaries plus accumulated profits and losses in the net amount of \$8,517,478 as of January 30, 1963, which amount is included in Earnings Reinvested.

2. Effective January 1, 1963, the rate of estimated future earnings of the retirement trust fund of the Company and its subsidiaries was increased from 3% to 3½% because of the favorable earnings of the fund since it was established in 1957. The unfunded past service liability as of January 30, 1963, based upon an interest assumption of 3½%, was approximately \$26,000,000.

Provision was made during the 52-week period ended January 30, 1963 for full funding of current service liability and interest on past service liability in accordance with actuarial estimates at the beginning of the period.

3. Under a restricted stock option plan, which became effective February 1, 1957, authorized but unissued common stock of the Company in the amount of 590,485 shares was reserved on January 30, 1963 for issuance to officers and key employees. Reacquired common stock may be issued in lieu of authorized but unissued stock. On January 30, 1963, options for a total of 420,860 shares were held by 200 individuals, and options for 133,545 shares were exercisable. The option prices ranged from \$26⅞ to \$47⅞ per share as fixed by the closing price of the stock on the New York Stock Exchange on the dates granted. All options are for a period of ten years and are exercisable in cumulative annual installments commencing one year from date of the grants. Options granted prior to May 11, 1962 are exercisable ten per cent per year and options granted on and after May 11, 1962 are exercisable twenty per cent per year. During the 1962 fiscal year, stock options for 75 shares were exercised.

Five-Year Statistical Summary for fiscal years ended

January 30,
1963

OPERATIONS

Net Sales	\$1,425,187,840
Net Earnings	20,415,681
Dividends	13,996,630
Earnings Reinvested or (<i>in italics</i>) Paid Out to Stockholders from earnings of previous years	6,419,051
Additions to Properties and Equipment:	
Parent and Consolidated subsidiaries	21,335,348
Nonconsolidated subsidiaries	1,417,061
Depreciation and Amortization:	
Parent and Consolidated subsidiaries	11,147,015
Nonconsolidated subsidiaries	752,966
Average Number of Employees	77,123

FINANCIAL POSITION

Working Capital (<i>after intercompany adjustments</i>):	
Parent and Consolidated subsidiaries	\$ 463,787,666
Nonconsolidated subsidiaries	154,292,928
Accounts Receivable (<i>after intercompany adjustments</i>):	
Parent and Consolidated subsidiaries	63,996,717
Nonconsolidated subsidiaries	414,881,564
Inventories	285,720,832
Net Investment in Properties and Equipment:	
Parent and Consolidated subsidiaries	128,830,668
Nonconsolidated subsidiaries	30,934,129
Long Term Debt, Nonconsolidated subsidiaries	118,239,000

STOCKHOLDERS' INTEREST

Capital Stock and Earnings Reinvested	\$ 640,679,610
Investment per Common Share (<i>book value of shares outstanding at end of year</i>)	49.38
Earnings per Common Share (<i>on average number of shares outstanding during the year</i>)	1.51
Dividends per Common Share	1.00
Shares Outstanding:	
Class A	201,554
Common	12,565,771
Number of Stockholders	104,580

4. The Company had 719 leases in effect as of January 30, 1963 having terms of more than three years after that date. These leases provided for present aggregate minimum annual rentals of approximately \$18,002,000 (of which \$2,148,000 is payable to M-W Properties Corporation and Montgomery Ward Realty Corporation) plus, in certain instances, real estate taxes and other expenses. Additional amounts based upon percentage of sales may become due on 21 per cent of these leases. The Company has no obligations under any of these leases beyond the year 1993 except for ground leases of two stores which extend through the years 2020 and 2029.

5. Under the Indentures relating to the $4\frac{7}{8}\%$ and $4\frac{3}{4}\%$ Debentures, the Credit Corporation may not declare dividends on, or acquire any of its common stock if, after giving effect to such transactions, current assets as defined in the Indentures are not at least equal to 120 per cent of total liabilities as defined in the Indentures. As of January 30, 1963 the Company's earnings reinvested in the business were not restricted under these provisions.

Auditors' Opinion

To the Stockholders and Board of Directors,
Montgomery Ward & Co., Incorporated:

We have examined the consolidated balance sheet of Montgomery Ward & Co., Incorporated (an Illinois corporation) and subsidiaries as of January 30, 1963, and the related consolidated statements of earnings and earnings reinvested for the 52-week period then ended. We have also examined the balance sheets of Montgomery Ward Credit Corporation, Montgomery Ward Realty Corporation, and M-W Properties Corporation (all Delaware corporations) as of January 30, 1963. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements referred to above present fairly the financial position of the companies as of January 30, 1963, and the consolidated results of their operations for the 52-week period then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding 52-week period.

Arthur Andersen & Co.

Chicago, Illinois, March 13, 1963

January 31, 1962	February 1, 1961	February 3, 1960	January 28, 1959
\$1,325,941,281	\$1,248,993,866	\$1,222,596,263	\$1,092,267,472
15,859,096	15,053,599	30,656,537	28,030,510
14,182,249	20,619,205	27,010,180	27,011,140
1,676,847	(5,565,606)	3,646,357	1,019,370
23,632,379	22,339,716	36,073,835	27,271,255
6,904,636	17,406,390	—	—
9,852,659	8,317,153	6,429,527	5,334,929
522,408	218,536	—	—
72,106	67,258	63,153	58,152
\$ 449,767,743	\$ 469,648,372	\$ 541,005,545	\$ 566,551,714
163,088,589	112,812,358	—	—
194,780,691	238,845,291	356,590,631	305,325,253
240,374,252	167,415,758	—	—
296,174,404	266,784,895	260,218,266	242,026,480
121,861,235	111,741,337	104,691,071	75,225,195
30,754,648	21,755,732	—	—
118,541,000	68,829,000	—	—
\$ 635,438,336	\$ 640,218,052	\$ 645,696,616	\$ 641,776,909
48.80	48.42	48.85	48.57
1.13	1.07	2.28	2.08
1.00	1.50	2.00	2.00
201,554	201,554	201,554	201,554
12,608,396	12,805,696	12,803,406	12,796,256
108,194	107,609	106,006	99,956



OFFICERS

John A. Barr, *Chairman*
Robert E. Brooker, *President*
Russell P. Bygel, *Vice President*
Edward S. Donnell, *Vice President*
Harold F. Dysart, *Vice President and Controller*
Frederic E. Giersch, *Vice President*
Julius P. Hansen, *Vice President*
Charles J. Kushell, Jr., *Vice President*
James E. McCulloch, *Vice President*
Charles W. Wood, *Vice President*
Andrew Lamb, *Treasurer*
Charles J. Barnhill, *Secretary*
John M. Clark, *Assistant Treasurer*
Harold W. Bancroft, *Assistant Secretary*

GENERAL OFFICES

619 West Chicago Avenue, Chicago 7, Illinois

TRANSFER AGENTS

The Northern Trust Company, Chicago, Illinois
Morgan Guaranty Trust Company of New York, New York, N. Y.

REGISTRARS

The First National Bank of Chicago, Chicago, Illinois
Bankers Trust Company, New York, N. Y.

COVER—The colorful array of 88 merchandise items appearing in the cover photograph represents only a small fraction of the great variety of products and assortments which enable Montgomery Ward to satisfy its millions of customers of all ages, income groups and fashion tastes.



Directors of Montgomery Ward are identified, clockwise, in the Board Room of the Company's Chicago offices, shown in the photograph on the wall. They are listed with their major business affiliations and the year they were first elected to the Board.

Fairfax M. Cone, *Chairman of the Executive Committee, Foote, Cone & Belding Advertising Agency, 1962.*

Robert L. Milligan, *President, The Pure Oil Company, 1959.*

Charles W. Wood, *Vice President, 1962.*

Russell P. Bygel, *Vice President, 1958.*

Charles J. Kushell, Jr., *Vice President, 1957.*

Robert E. Brooker, *President, 1962.*

John A. Barr, *Chairman of the Board, 1950.*

Lenox R. Lohr, *President, Museum of Science and Industry of Chicago, 1956.*

Elliott V. Bell, *Chairman of the Executive Committee, McGraw-Hill Publishing Company, Inc., 1962.*

Philip R. Clarke, *Chairman of the Executive Committee, 1942.*

Donald M. Graham, *Vice Chairman, Continental Illinois National Bank and Trust Company of Chicago, 1962.*

Ernest S. Marsh, *President, The Atchison, Topeka and Santa Fe Railway Company, 1959.*

(James J. Nance, *President, Central National Bank of Cleveland, 1962, not in picture.*)

